

**Monthly Operating Report
ACCRUAL BASIS**

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054
JUDGE:	Stacey Jernigan


UNITED STATES BANKRUPTCY COURT
NORTHERN & EASTERN DISTRICTS OF TEXAS
REGION 6

MONTHLY OPERATING REPORT


MONTH ENDING: December 2019
MONTH YEAR

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT, AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY) IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:

	<u>Chief Restructuring Officer</u>
ORIGINAL SIGNATURE OF RESPONSIBLE PARTY	TITLE
<u>Bradley Sharp</u>	<u>1/31/2020</u>
PRINTED NAME OF RESPONSIBLE PARTY	DATE

PREPARER:

	<u>Chief Financial Officer</u>
ORIGINAL SIGNATURE OF PREPARER	TITLE
<u>Frank Waterhouse</u>	<u></u>
PRINTED NAME OF PREPARER	DATE

Monthly Operating Report
ACCRUAL BASIS-1

CASE NAME:	Highland Capital Management, LP
CASE NUMBER:	19-12239-CSS

Comparative Balance Sheet
(in thousands)

	<u>10/15/2019</u>	<u>10/31/2019</u>	<u>11/30/2019</u>	<u>12/31/2019 ⁽⁶⁾</u>
Assets				
Cash and cash equivalents	2,529	2,286	6,343	9,501
Investments, at fair value ⁽³⁾	232,620	235,144	233,776	235,054
Equity method investees ⁽³⁾	161,819	161,813	175,381	174,815
Management and incentive fee receivable	2,579	3,202	1,223	1,828
Fixed assets, net	3,754	3,672	3,601	3,521
Due from affiliates ⁽¹⁾	151,901	152,124	152,523	146,245
Reserve against notes receivable				(57,963)
Other assets	11,311	11,260	10,621	10,663
Total assets	<u>\$ 566,513</u>	<u>\$ 569,501</u>	<u>\$ 583,468</u>	<u>\$ 523,664</u>
Liabilities and Partners' Capital				
Pre-petition accounts payable ⁽⁴⁾	1,176	1,135	1,250	1,068
Post-petition accounts payable ⁽⁴⁾	-	102	236	624
Secured debt:				
Frontier	5,195	5,195	5,195	5,195
Jefferies	30,328	30,315	30,268	30,020
Accrued expenses and other liabilities ⁽⁴⁾	59,203	59,184	60,848	66,423
Accrued re-organization related fees ⁽⁵⁾	-	-	-	5,693
Claim accrual ⁽²⁾	73,997	73,997	73,997	73,997
Partners' capital	396,614	399,573	411,674	340,644
Total liabilities and partners' capital	<u>\$ 566,513</u>	<u>\$ 569,501</u>	<u>\$ 583,468</u>	<u>\$ 523,664</u>

⁽¹⁾ Includes various notes receivable at carrying value, except note due from Hunter Mountain Investment Trust which is fully reserved against (\$58M reserve). Fair value has not been determined with respect to any of the notes.

⁽²⁾ Uncontested portion of Redeemer claim less applicable offsets. Potential for additional liability based on future events. No interest has been accrued beyond petition date.

⁽³⁾ Mark to market gains/(losses) on investments include pricing updates for publicly traded securities and other positions with readily available market price information. Limited partnership interests normally marked to a NAV statement have been updated based upon the most recent statement available, or marked to an estimate to the extent available.

⁽⁴⁾ Note on accruals: expenses recorded in Accounts Payable and Accrued Expenses and Other Liabilities reflect invoices recorded through accounts payable, legal invoice accruals, and normal course operating accruals, but do not reflect estimates for other incurred, but not yet received invoices. For balance sheet dates other than the Petition Date, amounts include both pre-petition and post-petition liabilities.

⁽⁵⁾ At December 31st, 2019, Debtor accrued for post-petition re-organization fees based upon an estimate of fees incurred to date.

⁽⁶⁾ All balances are preliminary, unaudited, and subject to further year-end closing entries pursuant to the normal year-end closing process.

Monthly Operating Report
ACCRUAL BASIS-2

CASE NAME:	Highland Capital Management, LP
CASE NUMBER:	19-12239-CSS

Income Statement ¹

(in thousands)

	Date	Month ended	Month ended ⁽⁴⁾	Filing to Date
	10/16/19 - 10/31/19	11/30/2019	12/31/2019	
Revenue:				
Management fees	975	1,638	1,804	4,417
Shared services fees	283	709	596	1,588
Other income	99	418	1,032	1,549
Total operating revenue	1,357	2,765	3,433	7,555
Operating expenses:				
Compensation and benefits	997	1,936	2,256	5,188
Professional services	256	90	354	700
Investment research and consulting	10	34	10	54
Marketing and advertising expense	-	35	(15)	20
Depreciation expense	82	82	80	244
Bad debt expense reserve	-	-	8,420	8,420
Other operating expenses	201	480	310	991
Total operating expenses	1,545	2,657	11,415	15,617
Operating income/(loss)	(188)	108	(7,982)	(8,062)
Other income/expense:				
Interest income	250	484	495	1,230
Interest expense	(107)	(103)	(135)	(346)
Reserve against notes receivable	-	-	(57,963)	(57,963)
Re-org related expenses ⁽²⁾	-	-	(5,693)	(5,693)
Other income/expense	32	-	-	32
Total other income/expense	175	381	(63,296)	(62,741)
Net realized gains/(losses) on investments	339	279	-	618
Net change in unrealized gains/(losses) of investments ⁽³⁾	2,654	(2,004)	988	1,638
	2,993	(1,725)	988	2,256
Net earnings/(losses) from equity method investees ⁽³⁾	(20)	13,468	(692)	12,756
Net income/(loss)	\$ 2,959	\$ 12,232	\$ (70,982)	\$ (55,791)

(1) Note on accruals: expenses recorded in the Income Statement reflect invoices recorded through accounts payable, legal invoice accruals, and normal course operating accruals, but do not reflect estimates for other incurred, but not yet received invoices.

(2) Debtor funded various retainers totaling \$790k prior to the petition date, which were entirely expensed as of the petition date. At December 31st, 2019, Debtor accrued for post-petition re-organization fees based upon an estimate of fees incurred to date.

(3) Mark to market gains/(losses) on investments include pricing updates for publicly traded securities and other positions with readily available market price information. Limited partnership interests normally marked to a NAV statement have been updated based upon the most recent statement available, or marked to an estimate to the extent available.

(4) All balances are preliminary, unaudited, and subject to further year-end closing entries pursuant to the normal year-end closing process.

Monthly Operating Report
ACCRUAL BASIS-3A

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054

CASH RECEIPTS AND DISBURSEMENTS	OCTOBER	NOVEMBER	DECEMBER	QUARTER
1. CASH - BEGINNING OF MONTH ²	\$ 2,554,230	\$ 2,286,160	\$ 6,342,598	\$ 2,554,230
RECEIPTS FROM OPERATIONS				
2. OTHER OPERATING RECEIPTS	\$ 6,912	\$ 972,733	\$ 883,113	\$ 1,862,757
3. MANAGEMENT FEES AND OTHER RELATED RECEIPTS	\$ 15,000	\$ 1,764,749	\$ 1,376,993	\$ 3,156,742
COLLECTION OF ACCOUNTS RECEIVABLE				
4. PREPETITION	\$ 46,425	\$ 2,962,108	\$ 584,575	\$ 3,593,108
5. POSTPETITION ¹	\$ -	\$ -	\$ -	\$ -
6. TOTAL OPERATING RECEIPTS	\$ 68,337	\$ 5,699,590	\$ 2,844,680	\$ 8,612,608
NON-OPERATING RECEIPTS				
7. THIRD PARTY FUND ACTUAL/EXPECTED DISTRIBUTIONS	\$ 79,266	\$ 320,836	\$ 23,365	\$ 423,468
8. DIVS, PAYDOWNS, MISC FROM INVESTMENT ASSETS	\$ 410,189	\$ 501,983	\$ 425,897	\$ 1,338,069
9. OTHER (ATTACH LIST)			\$ 3,390,286	\$ 3,390,286
10. TOTAL NON-OPERATING RECEIPTS	\$ 489,456	\$ 822,820	\$ 3,839,547	\$ 5,151,822
11. TOTAL RECEIPTS	\$ 557,793	\$ 6,522,410	\$ 6,684,227	\$ 13,764,430
12. TOTAL CASH AVAILABLE	\$ 3,112,023	\$ 8,808,570	\$ 13,026,825	
OPERATING DISBURSEMENTS				
13. PAYROLL, BENEFITS, AND TAXES + EXP REIMB ⁽³⁾	\$ 737,588	\$ 961,282	\$ 2,077,577	\$ 3,776,446
14. SINGAPORE SERVICE FEES	\$ 34,633	\$ 32,555	\$ 27,930	\$ 95,118
15. HCM LATIN AMERICA		\$ 100,000	\$ 100,000	\$ 200,000
16. THIRD PARTY FUND CAPITAL CALL OBLIGATION		\$ 967,555	\$ 459,432	\$ 1,426,987
17. UTILITIES				\$ -
18. INSURANCE				\$ -
19. INVENTORY PURCHASES				\$ -
20. VEHICLE EXPENSES				\$ -
21. TRAVEL				\$ -
22. ENTERTAINMENT				\$ -
23. REPAIRS & MAINTENANCE				\$ -
24. SUPPLIES				\$ -
25. ADVERTISING				\$ -
26. OTHER (ATTACH LIST)	\$ 53,642	\$ 404,581	\$ 860,477	\$ 1,318,700
27. TOTAL OPERATING DISBURSEMENTS	\$ 825,863	\$ 2,465,973	\$ 3,525,415	\$ 6,817,251
REORGANIZATION EXPENSES				
28. PROFESSIONAL FEES				\$ -
29. U.S. TRUSTEE FEES				\$ -
30. OTHER (ATTACH LIST)				\$ -
31. TOTAL REORGANIZATION EXPENSES	\$ -	\$ -	\$ -	\$ -
32. TOTAL DISBURSEMENTS	\$ 825,863	\$ 2,465,973	\$ 3,525,415	\$ 6,817,251
33. NET CASH FLOW	\$ (268,070)	\$ 4,056,437	\$ 3,158,812	\$ 6,947,179
34. CASH - END OF MONTH	\$ 2,286,160	\$ 6,342,598	\$ 9,501,409	\$ 9,501,409

1 All postpetition receipts are included in line 3, Management Fees and Other Related Receipts.

2 Beginning cash in October represents the bank balance as of the filing date, while the cash amount shown on the balance sheet includes any outstanding checks.

3 November 30th, 2019 payroll in the amount of \$478,337 did not debit the account until December 2nd, 2019. For comparability purposes this \$478,337 amount should be added to the November total and subtracted from the December total.

Monthly Operating Report
ACCRUAL BASIS-3B

CASE NAME:	Highland Capital Management
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NON-OPERATING RECEIPTS - OTHER

Date	Amount	Description
12/9/2019	1,518,575.34	Note principal or interest
12/9/2019	739.72	Note principal or interest
12/23/2019	783,011.86	Note principal or interest
12/30/2019	530,112.36	Note principal or interest
12/30/2019	65,360.49	Note principal or interest
12/30/2019	201,994.40	Note principal or interest
12/30/2019	275,487.21	Note principal or interest
12/31/2019	15,004.30	Voided Checks
	<u>\$3,390,285.68</u>	

OPERATING DISBURSMENTS - OTHER

Date	Amount	Vendor
12/2/2019	155,084.39	Crescent TC Investors LP
12/3/2019	18,289.49	Platinum Parking
12/3/2019	672.72	ProStar Services, Inc
12/3/2019	1,191.25	Gold's Gym International
12/3/2019	1,021.44	Chick-fil-A
12/3/2019	5,052.88	Iron Mountain Records Management
12/3/2019	1,472.00	Platinum Parking
12/5/2019	110.00	FINRA
12/11/2019	5,780.50	Third Party Consultant
12/13/2019	110.00	FINRA
12/13/2019	163.35	Arkadin Inc
12/13/2019	356.00	Jordan Fraker Photography
12/13/2019	480.00	Action Shred of Texas
12/13/2019	1,023.67	UPS Small Package
12/13/2019	1,489.20	Canteen
12/13/2019	3,032.73	Greenwood Office Outfitters, Inc.
12/13/2019	3,659.07	Third Party Consultant
12/13/2019	2,887.50	Centroid Systems, Inc.
12/13/2019	2,394.28	Thomson Reuters West
12/13/2019	8,642.37	Concur Technologies Inc
12/13/2019	23,950.60	Flexential Colorado Corp
12/13/2019	3,234.81	ICE Data Pricing Ref Data LLC
12/13/2019	226.25	Third Party Consultant
12/13/2019	1,155.00	Centroid Systems, Inc.
12/13/2019	4,788.56	Thomson Reuters West
12/13/2019	4,090.46	Concur Technologies Inc
12/16/2019	155,452.35	Bloomberg Finance LP
12/16/2019	1,582.66	Compass Bank Oper
12/16/2019	32,508.98	Bloomberg Finance LP
12/17/2019	259.60	East West Bank
12/17/2019	13,516.50	ATT Mobility
12/17/2019	516.91	DIRECTV
12/19/2019	477.59	PITNEY BOWES
12/19/2019	400.00	PITNEY BOWES
12/19/2019	1,611.00	PITNEY BOWES
12/20/2019	348.00	Visix, Inc.
12/20/2019	1,000.00	Marco Quintana
12/20/2019	21.40	CHASE COURIERS, INC
12/20/2019	751.26	Four Seasons Landscaping, LLC
12/20/2019	36,084.06	SIEPE SOFTWARE
12/20/2019	248,637.49	SIEPE SERVICES
12/20/2019	31,050.00	McLagan
12/20/2019	6,495.61	ATT Mobility
12/23/2019	27,891.43	Third Party Consultant
12/23/2019	6,942.54	TW Telecom
12/23/2019	6,934.01	TW Telecom
12/24/2019	398.22	Xerox
12/26/2019	548.83	Pitney Bowes
12/27/2019	5,076.50	Third Party Consultant
12/31/2019	17,147.40	Wolters Kluwer
12/31/2019	1,419.08	Oracle America, Inc.
12/31/2019	2,047.22	Zayo Group
12/31/2019	11,000.00	Third Party Consultant
	<u>\$ 860,477.16</u>	

Monthly Operating Report
ACCRUAL BASIS-4

CASE NAME:	Highland Capital Management
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MGMT FEE RECEIVABLE AGING ²	SCHEDULE AMOUNT	October	November	December
1. 0-30	\$ 2,578,744	\$ 3,201,548	\$ 1,222,880	\$ 1,828,180
2. 31-60				
3. 61-90				
4. 91+				
5. TOTAL MGMT FEE RECEIVABLE	\$ 2,578,744	\$ 3,201,548	\$ 1,222,880	\$ 1,828,180
6. AMOUNT CONSIDERED UNCOLLECTIBLE				
7. MGMT FEE RECEIVABLE (NET)	\$ 2,578,744	\$ 3,201,548	\$ 1,222,880	\$ 1,828,180

AGING OF POSTPETITION TAXES AND PAYABLES			MONTH: December 2019		
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL					\$0
2. STATE					\$0
3. LOCAL					\$0
4. OTHER (ATTACH LIST)					\$0
5. TOTAL TAXES PAYABLE	\$0	\$0	\$0	\$0	\$0

6. ACCOUNTS PAYABLE	\$413,201	\$60,483	\$150,355		\$624,038
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STATUS OF POSTPETITION TAXES ¹		MONTH: December 2019		
FEDERAL	BEGINNING TAX LIABILITY	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
1. WITHHOLDING				\$0
2. FICA-EMPLOYEE				\$0
3. FICA-EMPLOYER				\$0
4. UNEMPLOYMENT				\$0
5. INCOME				\$0
6. OTHER (ATTACH LIST)				\$0
7. TOTAL FEDERAL TAXES	\$0	\$0	\$0	\$0
STATE AND LOCAL				
8. WITHHOLDING				\$0
9. SALES				\$0
10. EXCISE				\$0
11. UNEMPLOYMENT				\$0
12. REAL PROPERTY	\$0	\$0	\$0	\$0
13. PERSONAL PROPERTY				\$0
14. OTHER (ATTACH LIST)				\$0
15. TOTAL STATE & LOCAL	\$0	\$0	\$0	\$0
16. TOTAL TAXES	\$0	\$0	\$0	\$0

1 The Debtor funds all state and federal employment taxes to Paylocity, who files all required federal and state related employment reports and withholdings.

2 Aging based on when management fee is due and payable.

Monthly Operating Report
ACCRUAL BASIS-5

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054

MONTH: December 2019

BANK RECONCILIATIONS	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BBVA Compass	East West Bank	East West Bank	Maxim Group	Jefferies LLC	Nexbank	TOTAL
B. ACCOUNT NUMBER:	x6342	x4686	x4693	x1885	x0932	x5891	
C. PURPOSE (TYPE):	Operating	Operating	Insurance	Brokerage	Brokerage	CD	
1. BALANCE PER BANK STATEMENT ¹	\$ 15,004	\$ 8,562,272	\$ 132,822	\$ 245,849	\$ 410,108	\$ 136,105	
2. ADD: TOTAL DEPOSITS NOT CREDITED							\$ -
3. SUBTRACT: OUTSTANDING CHECKS		\$ 751					\$ 751
4. OTHER RECONCILING ITEMS							\$ -
5. MONTH END BALANCE PER BOOKS	\$ 15,004	\$ 8,561,521	\$ 132,822	\$ 245,849	\$ 410,108	\$ 135,205	\$ 9,501,409
6. NUMBER OF LAST CHECK WRITTEN	18133	100009	n/a	n/a	n/a	n/a	

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE				CURRENT VALUE
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS			\$0				\$0

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$9,501,409

1 For Compass account x6342, subsequent to year end balance was transferred to the East West operating account and the account was closed.

Monthly Operating Report
ACCRUAL BASIS-6

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054

MONTH: December 2019

PAYMENTS TO INSIDERS AND PROFESSIONALS

INSIDERS				
	NAME	TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID POST PETITION
1	Frank Waterhouse	Salary	\$29,167	\$72,917
2	Frank Waterhouse	Expense Reimbursement	\$1,003	\$1,508
3	Scott Ellington	Salary	\$37,500	\$93,750
4	Scott Ellington	Expense Reimbursement	\$24	\$2,034
5	James Dondero	Salary	\$46,875	\$117,188
6	James Dondero	Expense Reimbursement ¹	\$1,077	\$16,346
7	Thomas Surgent	Salary	\$33,333	\$83,333
8	Thomas Surgent	Expense Reimbursement	\$1,007	\$1,254
9	Trey Parker	Salary	\$29,167	\$72,917
10	Trey Parker	Expense Reimbursement	\$240	\$665
TOTAL PAYMENTS TO INSIDERS			\$179,393	\$461,911

¹ The total amount of reimbursements during the reporting month also included \$24,556 for use of the credit card by the Debtor for office related expenses such as subscriptions, employee lunches, vending supplies, IT equipment/software, employee gifts/awards, non-employee related travel, training and postage.

PROFESSIONALS²					
	NAME	DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE
1.					
2.					
3.					
4.					
5.					
6.	TOTAL PAYMENTS TO PROFESSIONALS			\$0	\$0

² Does not include payments to ordinary course professionals.

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

	NAME OF CREDITOR	SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1.	Crescent TC Investors LP (rent portion only)	130,364	130,364	-
2.				
3.				
4.				
5.				
6.	TOTAL	130,364	\$130,364	\$0

